



Doing business in Poland 2016

I. Why investing in Poland?

- Polish economy has increased its position in world rankings

Poland is viewed as a good place for foreign investors. In Doing Business Ranking prepared by World Bank Group for 2016, Poland has been ranked at 24 (compared to 2011 with its rank at 70).

II. What attracts foreign investments to Poland?

- Market stability guaranteed by the legal system of the EU and competitive operating costs in relation to other EU Member States

10 years in the EU and 25 years of free market economy pose the following favourable investment conditions in relation to the markets of Western Europe:

- 1) low labour costs and low operating costs of the investment;
- 2) considerable human potential;
- 3) economic stability;
- 4) relatively good logistics infrastructure supported by a number of investments from EU funds;
- 5) availability of alternative forms of investment financing – Poland will be a major beneficiary of EU funds in the financial perspective for the years 2014 - 2020 (EUR 82.5 billion). Export in Poland has increased more or less twentyfold since 1995. It shows, that the main point of development and the biggest potential are young and well-educated people. According to Mastermind Translations, Polish student population constitutes 10% of all European students and most of them are capable of working in foreign languages. It results in Poland's GDP rising, which is three times faster than the average in Europe.

III. Freedom of doing business in Poland and exceptions (licences, concessions and permits)

- EU entities do business in Poland on the same terms as Polish entities

EU entities, the Member States of EFTA belonging to the EEA (Iceland, Liechtenstein and Norway) and Switzerland may take up and carry out business activity on the same condition as Polish nationals.

Polish economy is part of the EU internal market and the Polish legislation is compatible with the EU law.

The core of the Polish law governing the economic activity is the Polish Act on Freedom of Economic Activity of 2 July 2004.

In Poland there is a basic principle of the freedom of undertaking business activity. As a rule, the most important condition to start business activity in Poland is to register it in a relevant register. All businesses operating in Poland are registered in one of the two registers:

- 1) Central Register and Information on Economic Activity - kept by the Ministry of Economy. This nationwide register covers sole proprietorships and civil law partnerships.
- 2) The National Court Register – is kept nationwide for partnerships, companies, associations, foundations, branches and representative offices of foreign entrepreneurs.

The principle of freedom of business activity is sometimes subject to limitations. The exceptions specified in respective legal provisions relate to strategic sectors of the state economy, like judiciary system or banking sector. In such cases, doing business in Poland is subject to being granted a concession, licence or permit. Concession is, for example, required in the business activity connected with production, storage, transmission, distribution and trading in fuels or energy. A licence is required in order to operate road or rail transport. A permit is, in turn, required for a number of regulated activities, including production of spirits and tobacco products, insurance, operations within pharmaceutical industry or business activity within Special Economic Zones.

In addition to the entry in the relevant register, the entrepreneur needs to make notifications to the Tax Office in order to be assigned tax identification number. There are also requirements connected with the notifications to the National Insurance Office and the Main Statistical Office.

IV. The tax system:

- Income tax and VAT

The entity engaged in the economic activity is obliged to pay income tax. For individuals, it is personal income tax. For other entities, it is the corporate income tax, which is to be settled according to a valid tax scale or as a flat tax rate of 19% (standard rate).

VAT tax in Poland in most cases amounts to 23% (the basic VAT rate). A reduced rate (8%, 5% or 0%) is applied in cases strictly indicated by the statute.

The statute also provides for VAT exemptions (e.g. in cases when the volume of sale does not exceed the amount specified in the statute).

In cases of doubt as to the obligation of tax payment in a particular situation, the entrepreneur may address a competent tax authority with the request to issue the individual tax interpretation which is released on behalf of Ministry of Finance and is subsequently binding for this entrepreneur .

V. Polish Special Economic Zones in the ranking of the top 50 SEZs prepared by fDi Magazine of the Financial Times

Foreign investment in the Polish SEZ provides the investor with a partial tax exemption and



guarantees that the intended purpose of the real property acquired or leased for investment is commercial and industrial one.

Special Economic Zone in Katowice (in southwestern Poland) has leading position in the ranking of the top 50 special economic zones in the world. What is more, it has been recognized as the Regional Winner for in Europe, Sub-regional Winner in central-eastern Europe, highly commended in Europe for Large Tenants Awards and SME Awards in fDi Global Free Zones of the Year 2016. SEZs in Poland are areas of special economic and tax status for investors (currently – 16.000 hectares). Businesses investing in the SEZ may benefit from state aid in the form of a partial income tax emption.

VI. Conditions of investing in the Polish Special Economic Zones

- The conditions: the minimum contribution of the investor - 100.000 EUR and long-term investment

Within the SEZ the investor can undertake production and render services (including logistics and informatics outsourcing, R&D, new technologies, accounting, call centers, etc.).

In order to start the investment in the SEZs the investor is required to obtain the permit from the administrator of the SEZ. The permit is issued taking into account such criteria as the sustainability of the investment, the value of the investment of minimum 100.000 EUR, maintaining the investment for not less than 5 years and the creation of new jobs for at least three years (in case of SMEs). Particular requirements are establish in administrator's ordinances.

VII. Obtaining the permit for investing in the SEZ

- The procedure

The main stages of the procedure of applying for a permit to operate in the SEZ and to purchase/lease the real property in the SEZ are: 1) the investor's letter of intent to the administrator of the SEZ, defining the parameters of the investment in the selected location; 2) submitting the offer, together with the business plan; 3) obtaining a permit to operate in the SEZ by way of a tender or negotiations; 4) purchasing or leasing real property in the SEZ. According to polish law, this permit is a base for being beneficiary of state aid provided.

VIII. The forms of doing business in Poland by the EU entity

- Temporary provision of services in Poland on the basis of economic activity in one's own country

It is possible to temporarily operate business in Poland without setting up a separate entity. This form of providing services in Poland can only be temporary and in some cases an additional notification to competent authorities is required.

IX. Sole proprietorship

- Unlimited liability of the sole trader in exchange for the low cost of doing business independently or in a civil law partnership

Sole proprietorship in Poland can be registered online. To start such business in Poland the trader must be entered into the Central Register of Economic Activity kept by the Minister of Economy. The registration is free of charge and the online form is not complicated.

The sole trader is also required to be registered in the competent tax office and in the social security office.

X. Limited liability company

- A proven legal form for larger undertakings, either in the form of a single-shareholder company or with multiple shareholders; shareholders generally are not liable for the obligations of the company

In Poland, foreign investments are most commonly carried out in the form of a limited liability company. Limited liability company, like joint-stock company, is governed by the Polish Commercial Companies Code. The share capital of a limited liability company shall be at least 5000 PLN. The structure of the company (the management board, shareholders meeting, and in some required cases, supervisory board) is governed by the articles of association concluded in a form of a notarial deed. Limited liability company is registered in the National Court Register. The registration court fee amounts to 600 PLN. In order to register a limited liability company there is also required a legal title to the premises where the company will have its registered office.

XI. Branch and a representative office of a foreign entrepreneur in Poland

- Foreign entrepreneurs may establish branches in Poland

A branch can operate only within the scope of the main activities of the foreign entrepreneur. The operation of the branch can be undertaken upon the entrance of the branch into the register of entrepreneurs. A foreign entrepreneur who opens a branch shall appoint a person authorized to represent the branch of a foreign entrepreneur.

The scope of the operation of the representative office of a foreign business may include only the activities in the field of advertising and promotion of the foreign entrepreneur.

More information can be provided by KG Legal law firm specialising in legal assistance rendered to foreign entities in their investments in Poland

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